

HOUSE BILL 2678
By Baird

AN ACT to amend Tennessee Code Annotated, Title 66,
Chapter 11, Part 1, relative to liens on gas, oil or
other mineral leaseholds.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 66, Chapter 11, Part 1, is amended by
adding the following language as a new, appropriately designated section:

Section ____.

(a) Any person who performs labor or furnishes materials, supplies, fixtures, machinery or other things of value to a lessee holding or owning a leasehold, or any right conferred by a lease, relating to oil, gas or other minerals, in the development or improvement of the leasehold, by contract with or by the written consent of the owner or the agent or representative of the owner of the leasehold, shall have a lien on the leasehold or the entire interest of the lessee including oil or gas wells, machinery and equipment, to secure the payment for the labor or things furnished. If the labor or things are furnished at the written request or by written consent of any contractor or subcontractor, or the agent of either, the lien therein given shall be for the benefit of whoever may furnish any of the labor or things mentioned. The lien herein provided for shall be effective against the leasehold, or the entire interest of the lessee therein, including all improvements belonging to the lessee.

(b) If the lessee claims by executory contract, and if for any cause, the contract shall be rescinded or set aside, the lien provided for in subsection (a) shall follow the leasehold into the hands of the person to whom the same may go, or with whom it may remain by reason of the rescission. If by the rescission the interest covered by the lease

becomes vested in the lessor, the interest so covered by the lease shall be subject to such lien. If the lessee should be evicted from the possession of the leasehold by the judgment of a court, the lien shall nevertheless be effective against the leasehold and the improvements placed thereon by the lessee or those under whom the lessee claims, while the lessee or those under whom the lessee claims were in possession thereof. If the lease expires or is forfeited, or the lessee in any other way loses his or her rights thereunder, the lien provided for shall nevertheless be effective against the leasehold, whoever may be the owner thereof, to the extent of the interest held by the lessee at the time the labor was performed or the things mentioned furnished, and this shall be true although the interest of the lessee may revert to the lessor. The lienholder may elect to remove any improvements from the premises if it can be done without material injury to any previous improvements on the leasehold, and when the election is made and the improvement is removed, the owner of the leasehold shall be given credit by the value of the improvements so removed and the lienholder may enforce his or her lien to the extent of any balance remaining unpaid.

SECTION 2. This act shall take effect July 1, 2006, the public welfare requiring it.